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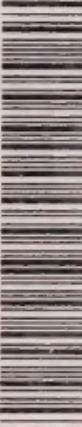
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# Canada's Service Economy

Industry Canada

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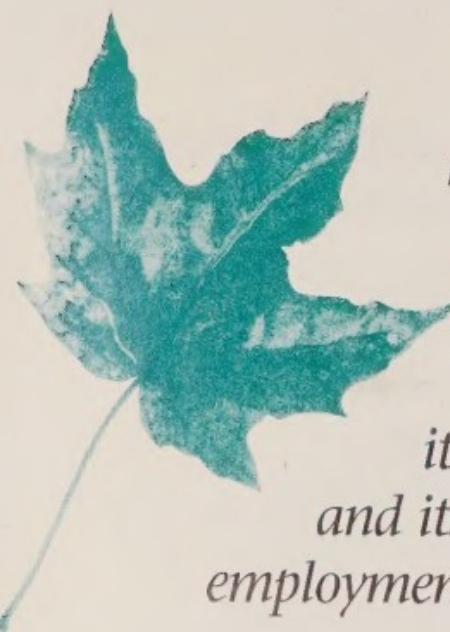
Canada



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Canada 1996

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Aussi disponible en français sous le  
titre *L'économie de services au Canada*



*This booklet answers  
basic questions  
about Canada's  
service economy,  
its changing structure  
and its contribution to  
employment and foreign trade.*

**The questions answered on the  
following pages include:**

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## What is the role of the services sector in the Canadian economy?

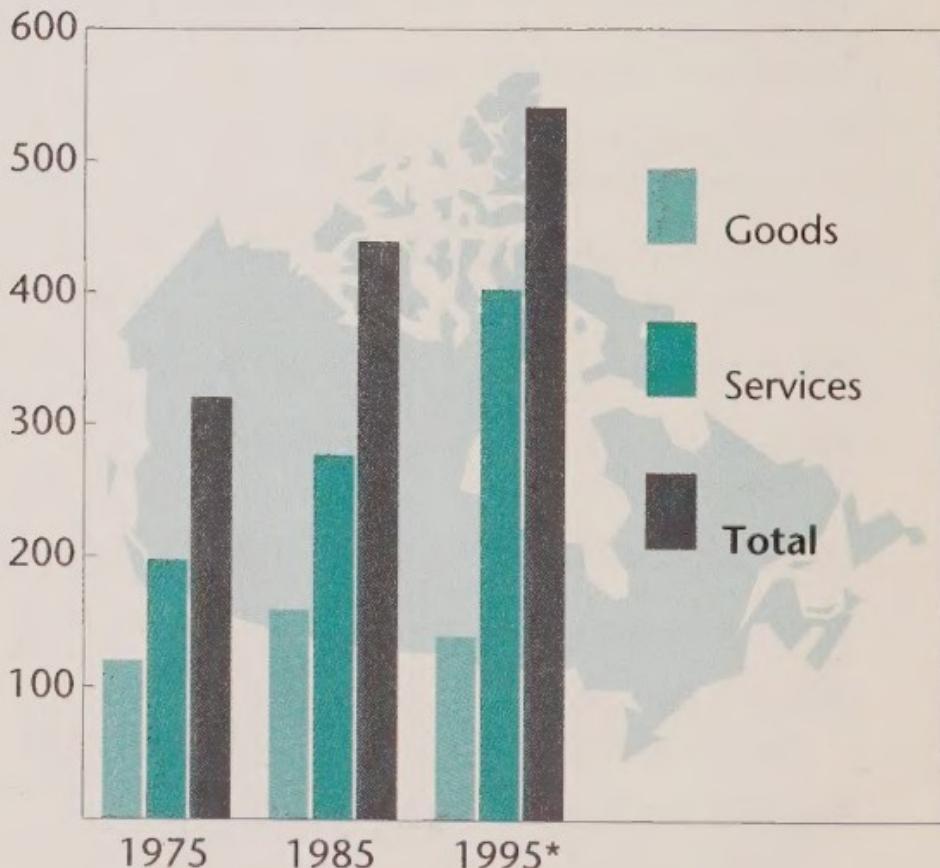
The Canadian economy is fueled by both goods and services. Goods include the manufacturing sector and the primary sector — agriculture, forestry and mines.

Service industries of one kind or another make up the rest of the economy.

Many services, such as banking, insurance and business services, are invisible. Other, more visible, services include construction, transportation and utilities.

Service industries represent three quarters of Canada's gross domestic product (GDP).

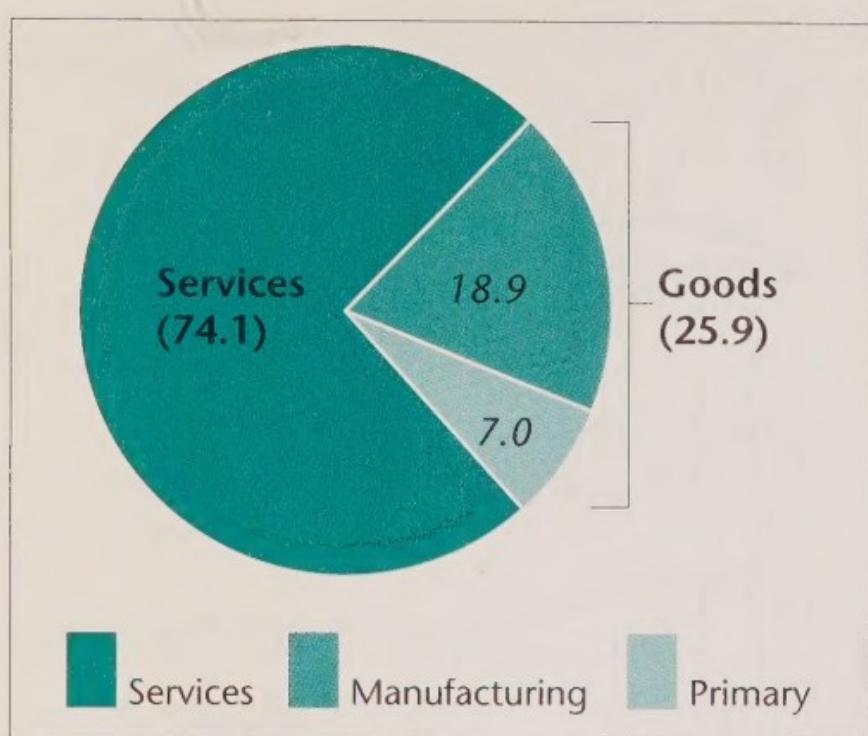
### Gross Domestic Product (\$ billions — 1986 constant dollars)



\*Second quarter

Source: Statistics Canada (Cat. 15-001)

## Gross Domestic Product (percent share of real GDP— second quarter 1995)



Source: Statistics Canada (CANSIM Matrix 4670)

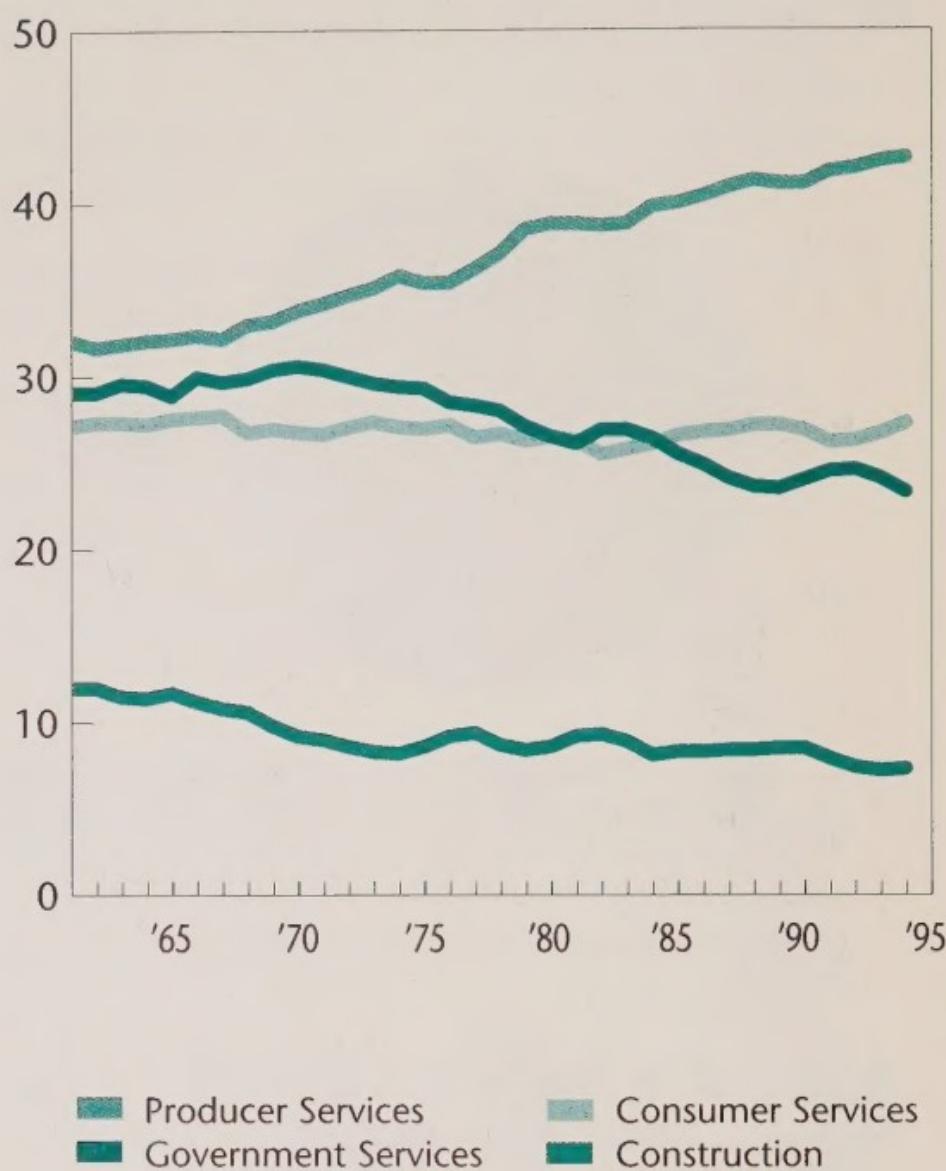
### *How has the role of service industries changed?*

The service economy is made up of four major parts: producer services, consumer services, construction and government services.

Producer services include transportation and communication services, engineering, design, consulting, accounting and legal services, marketing and computer services. They are purchased by Canadian industry to contribute to the production of goods and other services. Producer services are playing a larger and larger role in the Canadian service economy.

Consumer services are consumed directly by Canadians. They include, for example, retailing, recreation, tourism, personal services, child care,

## Types of Services as a Percentage of Total Services



Source: Statistics Canada (CANSIM Matrix 4670)

restaurants and entertainment. When viewed as a proportion of the overall amount of services produced, consumer services have remained at a fairly constant level over the past 30 years.

Construction includes the building and repairing of residential, industrial, commercial and institutional structures. Also included are engineering structures such as dams, oil and gas facilities, and sewer and water amenities.

Government and social services include federal, provincial and local governments as well as defence services. Noncommercial education, health and social services are also included in this category.

The relative shares of construction and government have been declining over the last three decades.



### *What is the role of the services sector in employment?*

The services sector accounts for more than seven out of ten jobs in eight of Canada's ten provinces.

## ■ Services Play a Vital Role in all Provinces

Province	Services Sector Employment (percent)
Nova Scotia	76.4
British Columbia	76.3
Newfoundland	75.6
Manitoba	73.0
New Brunswick	72.4
Ontario	72.0
Quebec	71.9
Alberta	71.3
Saskatchewan	67.0
Prince Edward Island	66.7
<b>Canada</b>	<b>72.5</b>

*Source: Statistics Canada (Cat. 71-220) — October 1995*

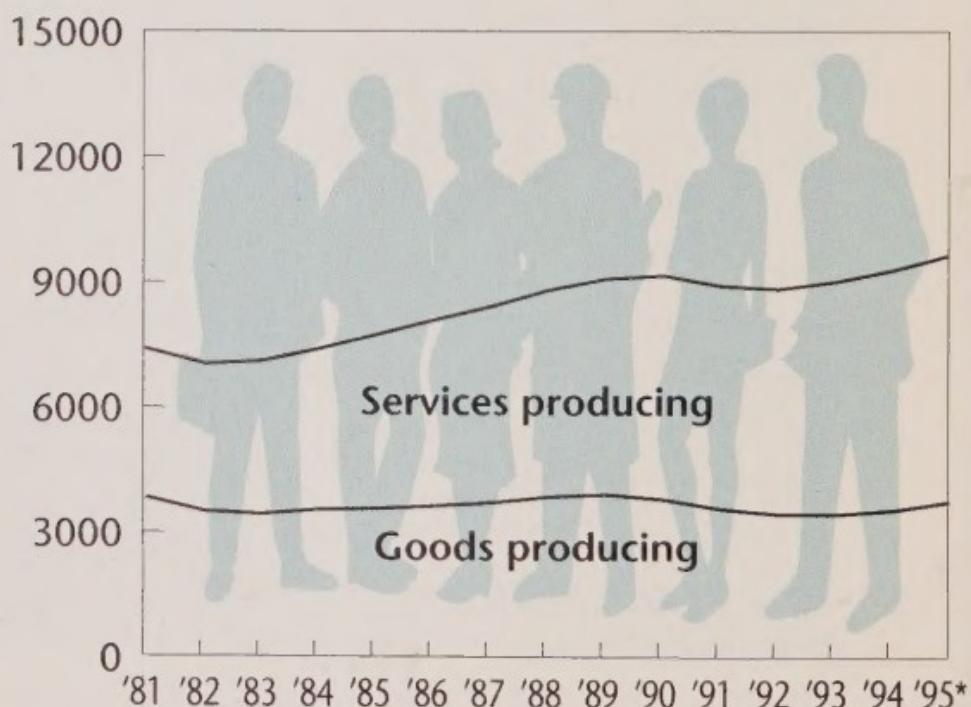


## *Where do most new jobs come from?*

Since 1980, total employment within Canada has increased by more than 1.7 million jobs. As jobs (but not GDP) in the manufacturing sector have declined, jobs in the services sector have more than taken up the slack. In fact, this net growth is entirely due to the services sector. Because growth in the services sector is driven by producer services, linkages between the service and goods-producing industries are critical to the future growth of the economy.

Recession, dislocation in traditional heavy industry, and the entry and rise of the baby boomers and women in the labour force would have meant no jobs for millions of people without the entrepreneurial, job-generating characteristics of the services sector.

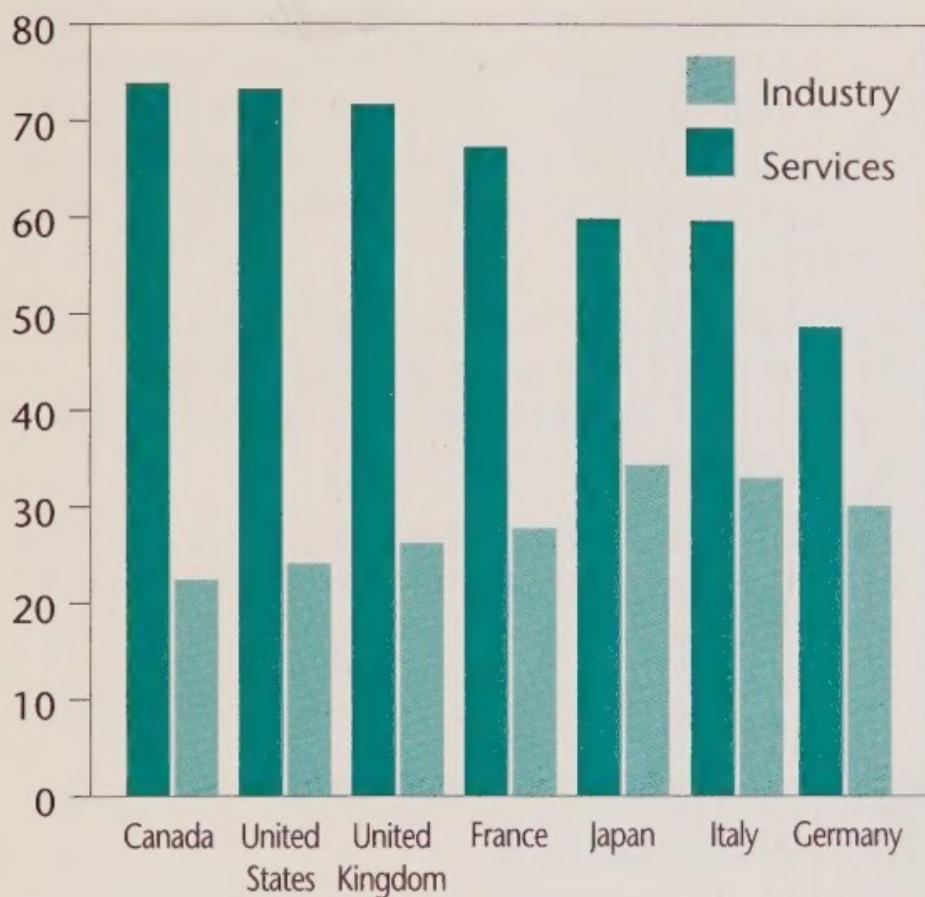
### **Canadian Employment: Goods vs. Services Producing Sector** *(total employment in thousands)*



\* November 1995

Source: Statistics Canada (CANSIM Matrix 2064)

# Contribution of Services and Goods Sectors to Employment (percent — 1993)



Source: Labour Force Statistics, OECD (1973–1993)



## How does Canada compare?

Canada, the United States and the United Kingdom all have substantial shares of their economies devoted to service industries. As illustrated in the accompanying graph, the share of service employment in these three countries is greater than in other G7 countries.



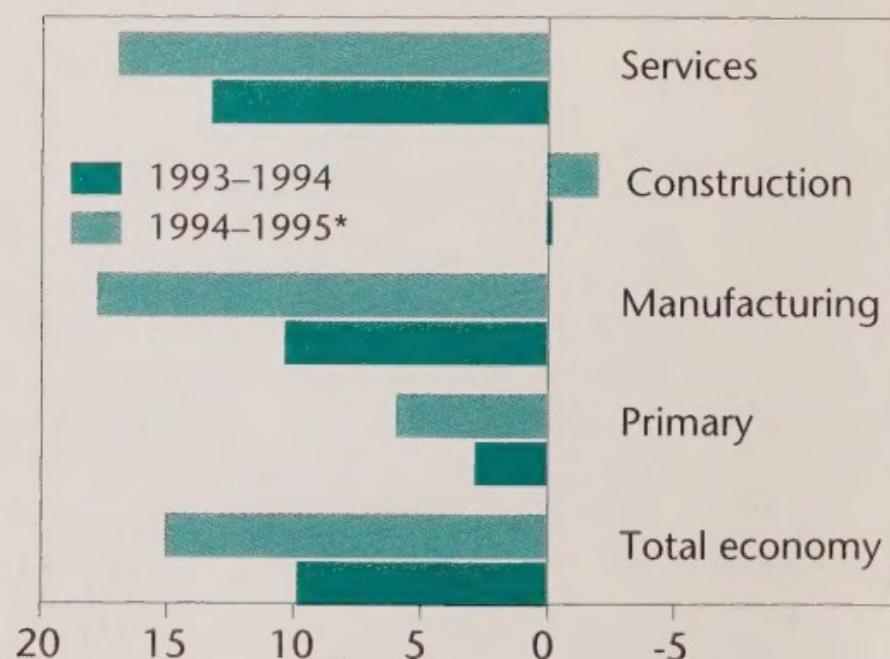
## What investment is occurring in new technologies?

Service industries are becoming more dependent on communications and computer technologies. Many parts of the services sector have been investing heavily in machinery and equipment over the past decade. This strong rate of investment will undoubtedly contribute to the growing vitality and productivity of the services sector.

Investment in new technologies in the wholesale and retail, finance, insurance and real estate sectors should result in increased labour productivity in the years ahead.

Investment in machinery and equipment in the construction sector declined in 1993-1994 and 1994-1995.

### Real Investment in Machinery and Equipment (average annual percent change)

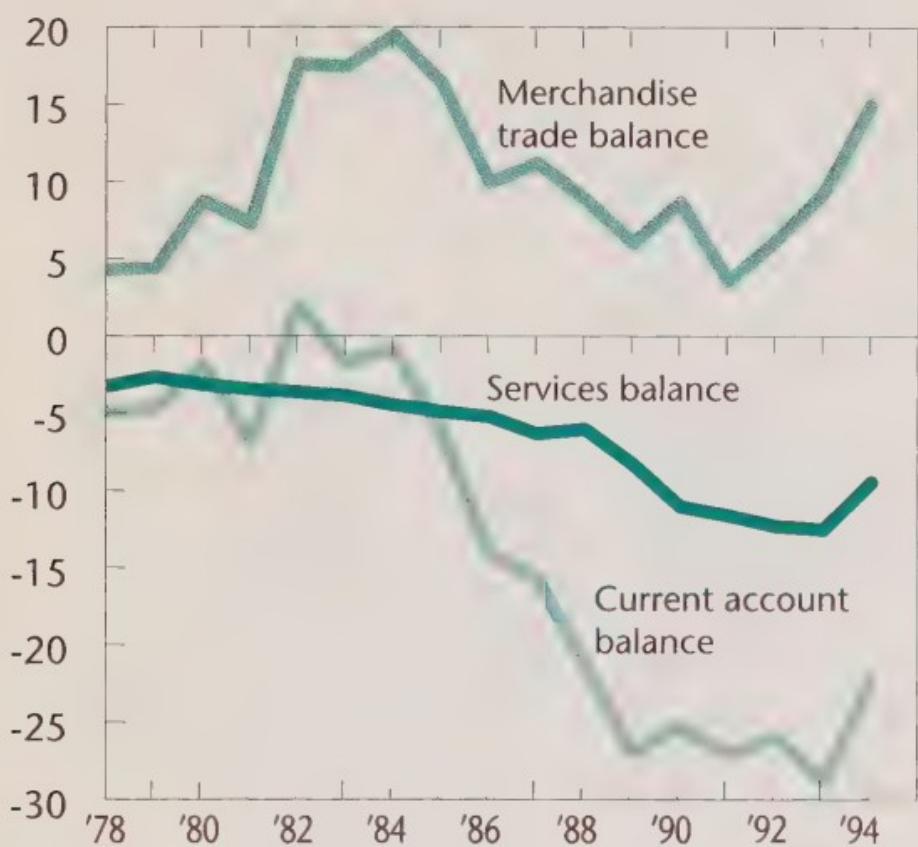


\* 1995 figures based on the 1995 Investment Intention Survey

Source: Statistics Canada

# Services and the Current Account 1978–1994

(\$ billions)



Source: Statistics Canada (Cat. 67-001)



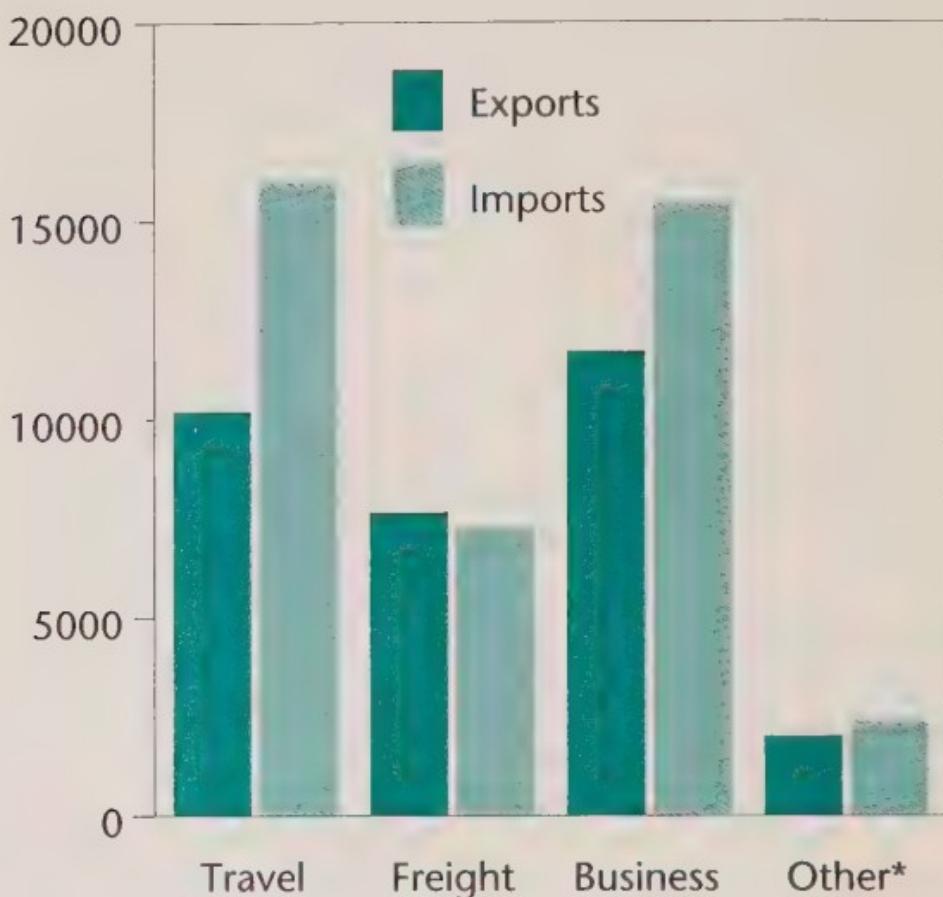
## What is the importance of trade for Canada?

Canada is one of the world's great trading nations, with trade accounting for more than half of our GDP, almost triple the U.S. ratio of trade to GDP.

Eleven thousand new jobs are created for each billion dollars of exports.

Although Canada is a great trading nation, too few Canadian firms, particularly small and medium-sized businesses, engage directly in trading. The challenge for services firms is to increase their participation and success in international markets.

## ■ Services Trade — 1994 (\$ millions)



\*Government transactions and other services

Source: Statistics Canada (Cat. 67-001)



### *What was the growth in services trade?*

Services trade, including travel, freight, business and government services, has grown significantly over the past ten years.

Business services have played a key role in achieving this level of performance.

Although business services exports have been growing, Canada still shows a trade deficit in this area. Canada also has a large travel and tourism deficit.



## *What is the relationship between goods and services?*

Canadian service industries have a strong enabling effect on the production and export of Canadian goods. In fact, goods firms depend on services for 39 cents of inputs for every dollar of goods exported. This embedded or invisible value includes services such as advertising, promotion, insurance, banking and transportation.



## *Who are our business trading partners?*

In 1994, Canada's main trading partner for business services was the United States. Other key business partners for services included the United Kingdom, Japan and other Organization for Economic Co-operation and Development (OECD) countries. Canada is less dependent on the U.S. market for business services than for goods.

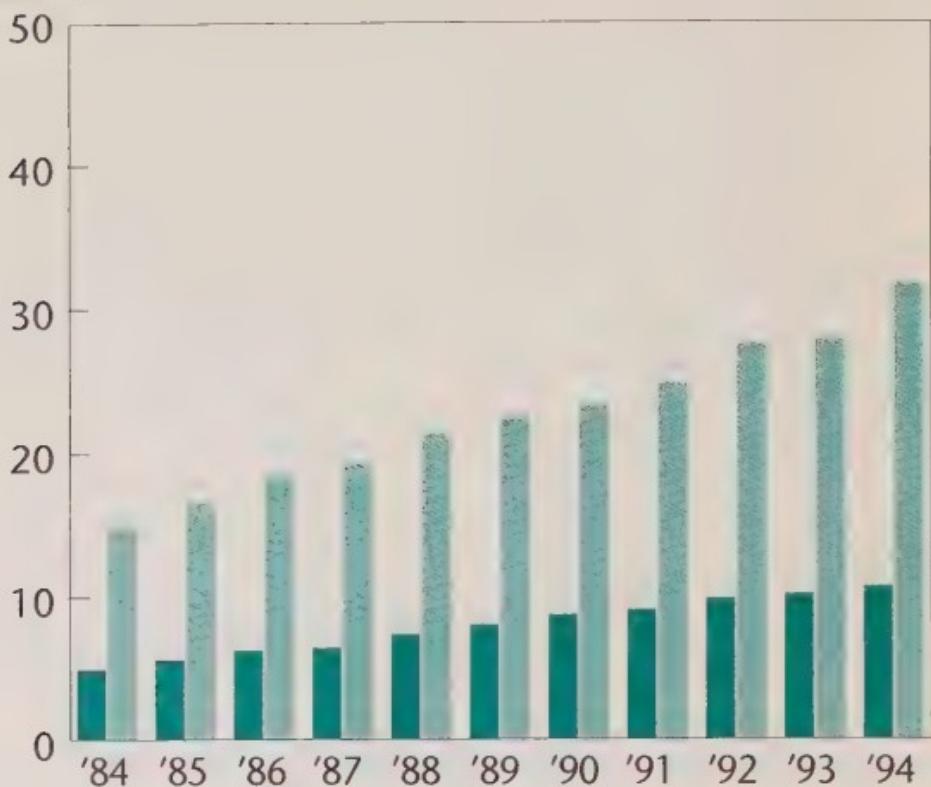


## *What is our business services trade?*

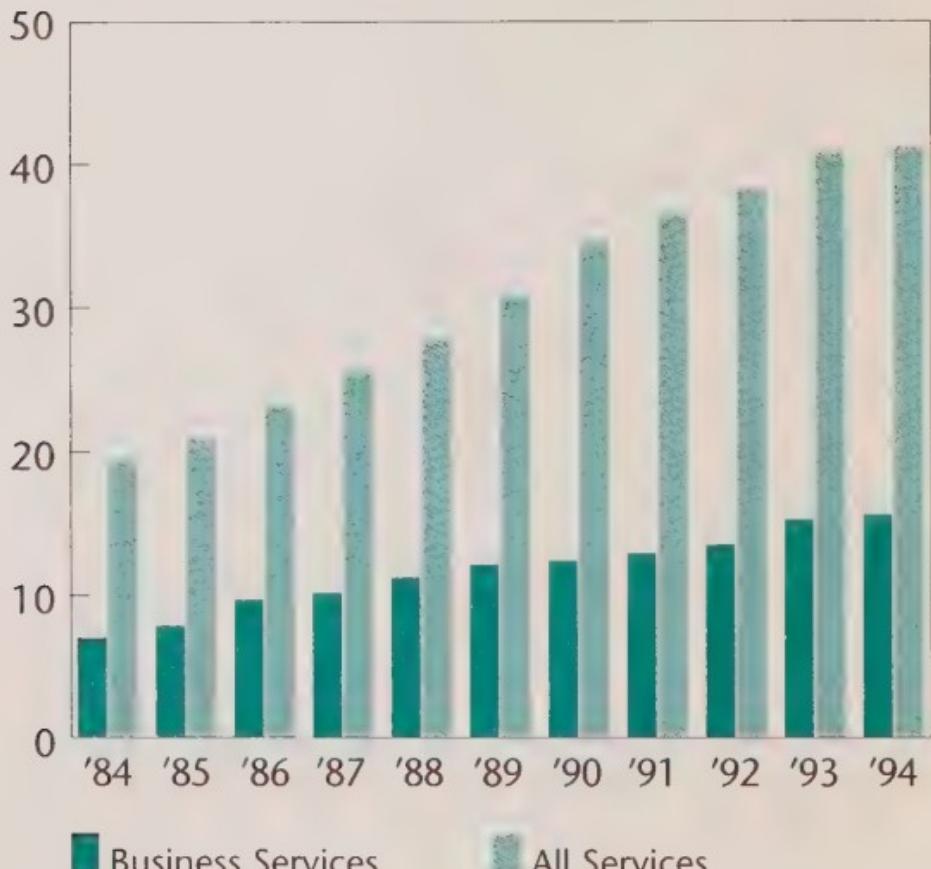
Insurance is Canada's top export in business services. Transportation and related services, research and development (R&D), and consulting and other professional services also rank highly. Our biggest business services imports are tooling and other automotive; royalties, patents and trademarks; and management and administrative services.

Canada has a slight favourable trade balance in consulting and other professional services, R&D, commissions, communications, and transportation and related services.

## Exports of Business Services (\$ billions)



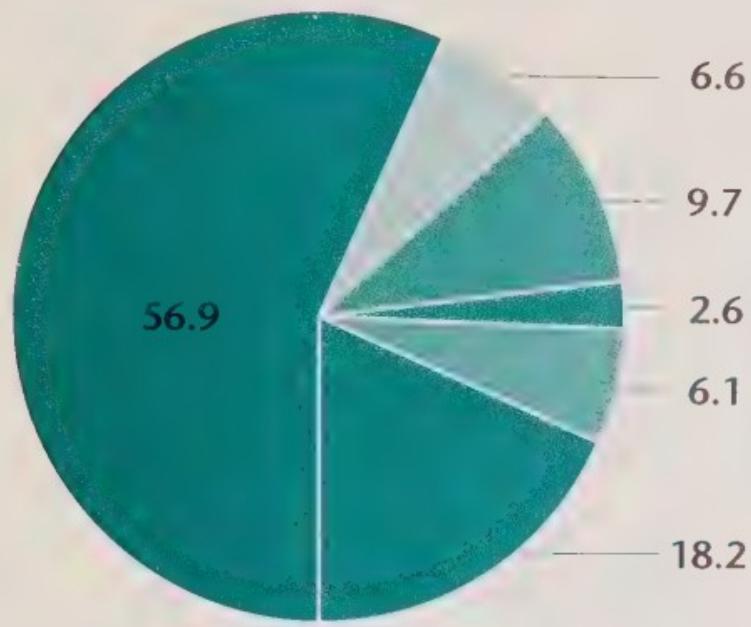
## Imports of Business Services (\$ billions)



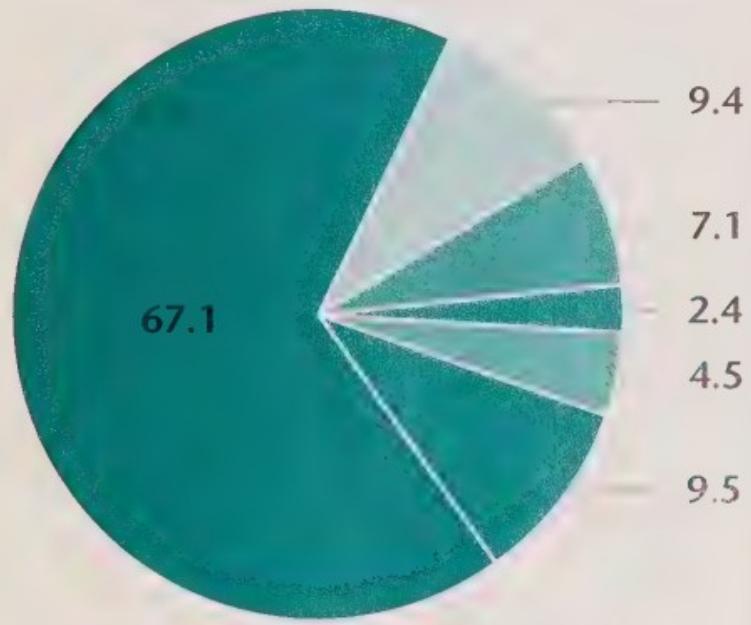
Source: Statistics Canada (Cat. 67-001)

## Trade in Business Services — 1994 (percent)

Exports (\$11.7 billion)



Imports (\$15.4 billion)



■ United States

United Kingdom

■ Other European Community

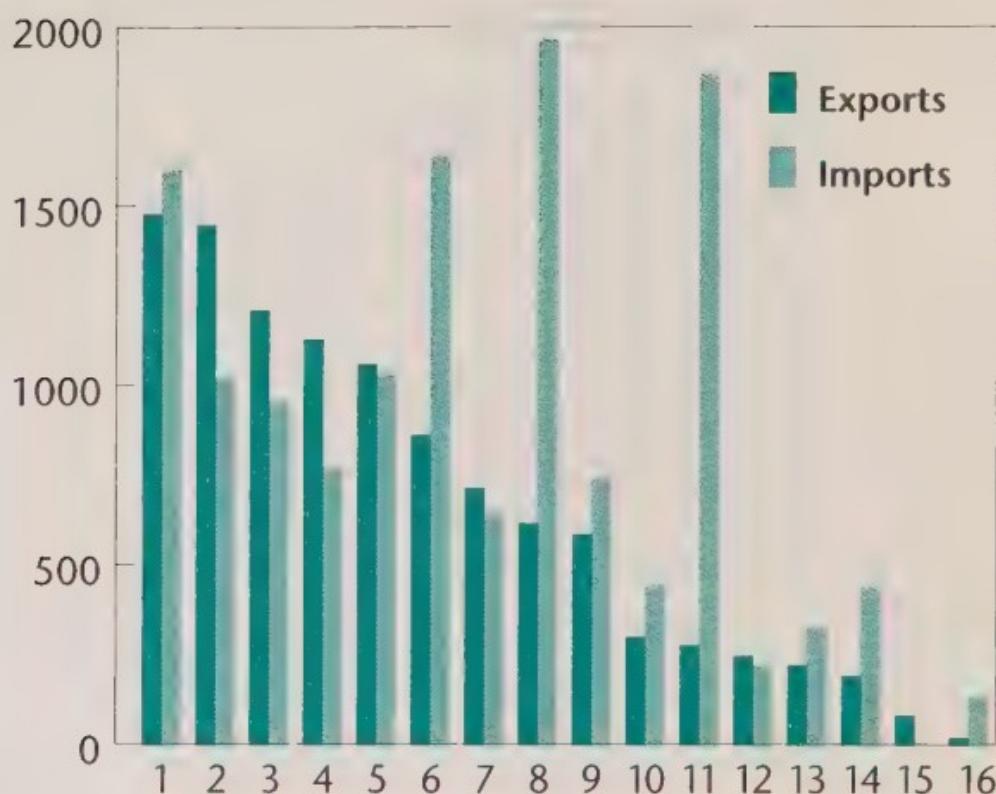
■ Japan

■ Rest of OECD

■ Non-OECD

Source: Statistics Canada (Cat. 67-001)

## Business Services Trade — 1993 (\$ millions)



- 1 – Financial services
- 2 – Consulting and other professional
- 3 – R&D
- 4 – Commissions
- 5 – Transportation and related
- 6 – Tooling and other automotive
- 7 – Communications
- 8 – Management and administrative
- 9 – Computer services
- 10 – Other services
- 11 – Royalties, patents and trademarks
- 12 – Advertising
- 13 – Equipment rental
- 14 – Films and broadcasting
- 15 – Refining and processing services
- 16 – Franchises and similar rights

Source: Statistics Canada (Cat. 67-203)

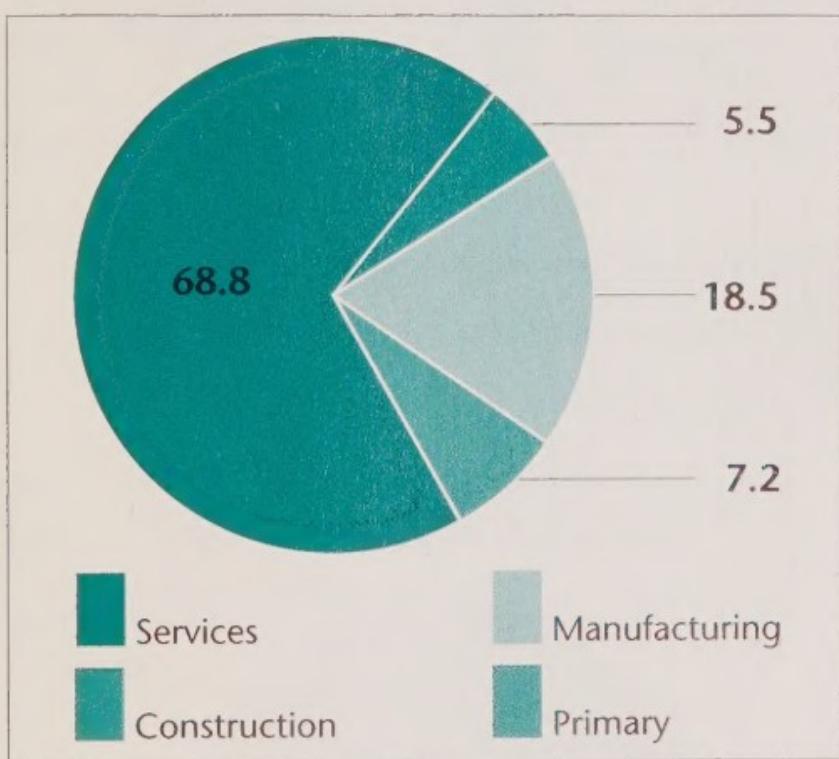


## *What is the role of the construction sector in the Canadian economy?*

The importance of the construction sector in the Canadian economy is illustrated by the high level of output directly associated with construction activity (\$94.4 billion in 1993).

The construction sector contributes more to the Canadian economy than the two largest manufacturing sectors (transportation equipment and electronic products) combined.

### **Share of Value Added by Sector —1994 (percent)**



*Source: Statistics Canada*



## *What is the impact of international construction activity?*

Overseas construction projects managed by Canadian contractors benefit our economy.

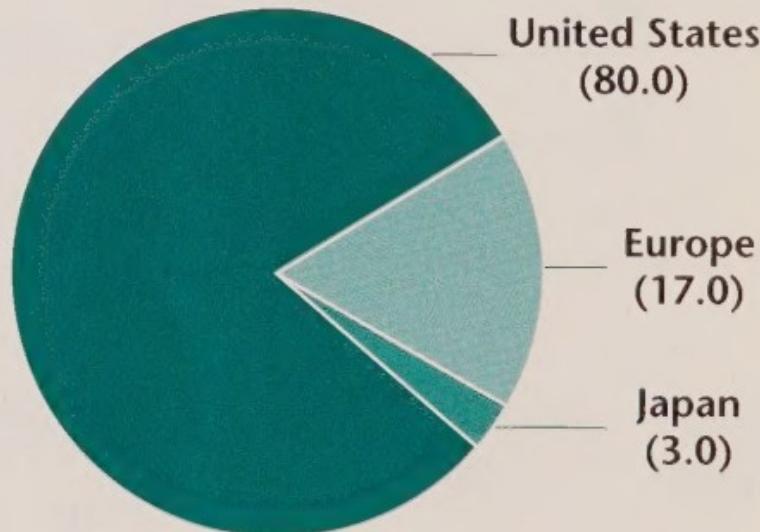
A significant portion of the revenues earned by contractors on foreign projects is used to procure goods and services from other industrial sectors in Canada. Also, one sixth of every dollar spent on foreign construction comes back to Canada in the form of profits and professional services.

Exporting can be of tremendous benefit to Canadian construction companies. The ability of Canadian construction companies to broaden their clientele enables them to increase corporate profits, weather cyclical fluctuations within the domestic market, and retain experienced and trusted employees.

To be successful in a foreign country, a firm must have an innovative strategy combined with quality management, an appropriate methodology, specialized technology, marketing expertise, and a united team that works effectively with the people of the host country.

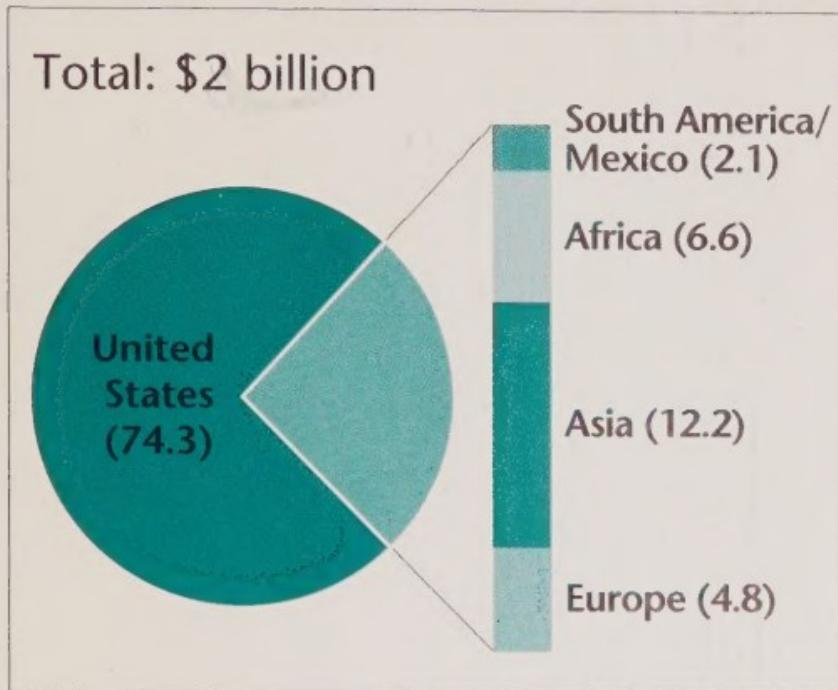
## Canadian Billings by Foreign Construction Firms — 1992 (percent)

Total: \$5 billion



Source: Engineering News Records, August 23, 1993

## Foreign Billings by Canadian Construction Firms — 1993 (percent)



Source: Industry Canada



*Where can I obtain more information about Canada's service economy?*

For further information, contact:  
Service Industries and Capital Projects  
Industry Canada  
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Ottawa, Ontario K1A 0H5

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Fax: (613) 952-9054  
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